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T7 Task Force Social cohesion, economic transformation and open societies

POLICY BRIEF

TOWARDS ECONOMIC AND SOCIAL PROSPERITY MEASUREMENT BEYOND GDP

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Abstract

To overcome the major challenges the world is facing today - from recovering from the pandemic to mitigating climate change - the global community will need concerted, transformative policy efforts, aligned with collective values and societal goals. Economic recovery must be equitable and not come at the cost of social cohesion. To achieve this, a new conception and goalpost indicators of prosperity are needed. Productivity growth and material gain, measured in terms of GDP, is insufficient as a key performance indicator and as a yardstick for social progress. It treats as a derivate the things we actually value, including not only economic wealth and the distribution of income, but also other dimensions of prosperity: social solidarity and participation, personal agency and opportunities, and environmental sustainability. In this Policy Brief, we propose ways to rethink and design new measures of economic and social prosperity for the G7 and beyond, encompassing not only material wealth and economic performance, but also the social and environmental dimensions of prosperity. We present concrete recommendations on necessary steps to achieve a policy-reorientation anchored in what we actually value – towards economic and social prosperity measurement beyond GDP.

Challenge

Productivity growth and material gain, measured in terms of GDP, is insufficient as a key performance indicator and as a yardstick for social progress. It treats as a derivate the things we actually value, including not only economic wealth and the distribution of income, but also other dimensions of prosperity. In order to tackle the major challenges of our time – like post-pandemic recovery, climate change, and biodiversity loss -, new measurement tools to guide and assess progress on the many dimensions of prosperity – including economic, social, and environmental aspects – are needed at both global and country level. Against this background, the UN Secretary General recently called for “new measures to complement GDP, so that people can gain a full understanding of the impacts of business activities and how we can and must do better to support people and our planet.”¹ While significant advances have been made on the international and national statistical agendas on multidimensional prosperity measurement beyond GDP, their benefits for policymaking have not yet been used to their full potential.² Measures capturing well-being and prosperity in all its dimensions can help identify governance gaps and inform policy decisions with research-based solutions driving more prosperous, inclusive, and equitable societies. To measure, evaluate, and inform policies on economic and social performance, the development of new capacities, collection of new and better data, and the construction of a new generation of prosperity metrics are required.

Proposals

Towards Economic and Social Prosperity Measurement Beyond GDP

The G7 should systematically measure social and economic progress through new multidimensional metrics of prosperity that are comparable across countries. This would more strongly align prosperity measurement with collectively held values and societal goals. It would answer to the widespread recognition that human flourishing cannot be reduced to, or adequately summarised by, aggregate indicators of economic productivity or expenditure. In accordance with the Sustainable Development Goals, such new metrics would allow policy makers, researchers, citizens, businesses, and civil society to monitor progress, thus helping to set the course for a prosperous and sustainable future. Multidimensional metrics of prosperity should encompass not only its economic dimension, commonly approximated by GDP. They should also integrate social and environmental dimensions, including overall opportunities, agency, and empowerment as well as aspects such as social solidarity and participation, employment, health, and social protection.

We recommend that these key dimensions of success and progress, which are related to normative goals that are common throughout the G7 and beyond, including the Sustainable Development Goals, be monitored for the G7 countries and beyond to inform equitable development strategies, policy pathways, and budget priorities.

Leverage Potential of Existing Proposals, Measures, and Methods

The G7 should leverage, and align their efforts with, existing proposals and innovations developed in the academic literature or already in use by governments and intergovernmental organisations around the world.³ Alignment and integration are important because the current frameworks developed by individual countries do not allow (yet) for international comparison and will thus not serve the purpose of complementing GDP as an important cross-national prosperity measure.⁴

An actionable approach with few and clearly laid out indicators can help G7 policy makers to visualise how prosperity in different dimensions of human well-being can be evaluated and achieved. A groundwork for human flourishing is laid when people have a secure sense of solidarity (S, related to social belonging and inclusion), agency (A, so that they are able to influence their fate through their own efforts), material gain (G, measured by GDP per capita and its distribution) and environmental sustainability (E, living within planetary boundaries). Against this background, the SAGE dashboard proposes international measures of social cohesion (solidarity) and personal empowerment (agency).⁵

Furthermore, multidimensional poverty, vulnerability, or well-being indices can and have been used to ensure equitable and inclusive progress and avoid the exacerbation of inequalities and disadvantages. The G7 can build on the applications and experiences from many countries and UN Agencies around the world, during both ‘normal’ and ‘exceptional’ times.⁶ This includes, for example, Bhutan’s pioneering Index of Gross National Happiness, various National Multidimensional Poverty Indices that are also being reported against the Sustainable Development Goals, and the global Multidimensional Poverty Index.⁷ Such measures frequently include information on the non-monetary dimensions of prosperity and disadvantage, including material living standard, education, health, social protection, employment, social participation and connectedness, and empowerment.⁸

Use Socio-Economic Prosperity Metrics to Guide Equitable Policies

The methods that underlie these measures can serve as a basis to construct the multidimensional evidence base for goalpost indicators beyond GDP. Multidimensional measures already have a track-record of not only monitoring socio-economic progress, but also as all-of-government policy tools that can be used to advance human well-being and fight poverty and disadvantages in all their forms and dimensions. This includes their use for equitable policy-making across sectors of government, targeted interventions, budget allocation, and priority setting.

We recommend that the G7 invest into the development of new cross-national prosperity metrics, and that they mainstream the use of integrated, multidimensional prosperity measures for policy goalpost-setting for social and economic progress and evaluation beyond GDP. And we recommend their use for integrated responses that allow the G7 and the global community to build back (and forward) better – to avoid an exacerbation of inequalities and to prevent the poorest from being left behind even further, in line with the Sustainable Development Goals and the Agenda 2030 Pledge to Leave No One Behind.

Collect New and Better Data

To do so, the collection of quality data on the many dimensions of prosperity is crucial. To build a robust and legitimate evidence base for sound policy-making, harmonised data collection efforts that allow for the construction of comparable and disaggregateable indicators of prosperity are indispensable. Prosperity measures beyond GDP can fulfill their full potential as better well-being indicators and for policy-guidance where data on all dimensions of prosperity are collected at the smallest possible units, e.g. households and individuals. This allows measurement and analysis of how achievements or disadvantages in the many dimensions of prosperity cluster and coincide – not at the gross national level, but at the level of the individual human or household. Investing in household surveys or innovative alternative data collection efforts should remain a priority to enable efficient monitoring and effective evidence-based policy-making.

Anchor Prosperity Measurement in People’s Voices and Values

Last but not least, an emphasis on quality data also relates to the point that the G7 should incorporate relevant aspects of public sentiment to respect people’s voices and values in the development and application of new and improved approaches to measuring prosperity and gross economic performance beyond GDP. If the measurement of socio-economic prosperity and related concepts is going to be more human-centred than previous efforts to measure economic performance and well-being, it will be important to hear from the concerned humans whose quality of life is being measured, and to incorporate their voice into these measures. There are strong synergies in this regard between our recommendations and the work by Moore, Lorgat, and Moseley on citizen-led indices⁹. We further believe that harmonised headline indicators that are comparable across countries can and should be complemented by national and local frameworks that are adapted to the particularities of each context. This type of approach ensures not only legitimacy, but also accuracy - i.e. that these measures do actually measure what they are meant to be measuring: what matters for people, now and in the future. Public opinion research can help ensure that the public’s voice, including those of marginalised communities and future generations, is included.

Research into people’s values and public opinion can also be used to elicit people’s thoughts and evaluations across the many dimensions of well-being. These can then be used to ensure that prosperity metrics do indeed speak to people’s lived experiences and expressed values. Survey research is used, for example, to measure concepts associated with the solidarity and agency components of the SAGE framework. Measures related to solidarity may include survey questions on trust, diversity, pluralism, identity, cosmopolitanism, and perceptions of social conflict. Meanwhile, measures of agency could include views of individual liberty and efficacy, and perceptions of opportunity in society.

This is also important because government policy effectiveness depends on public acceptance, legitimization, and compliance. Such compliance is influenced by the degree of social cohesion and the degree to which citizens feel empowered to act in accordance with government policy. Multidimensional measurement that includes such aspects could then also help predict and foster public acceptance and compliance with policies that require collective action, such as pandemic containment and climate action.

More broadly, to ensure that cross-national indicators of prosperity reflect people’s voices and values, they should be developed with significant input from individuals and civil society. This input could take a variety

of forms, including public dialogues, such as those conducted by the United Nations as part of its recent UN75 initiative;¹⁰ mini-publics or other forms of public deliberation; or survey research designed to identify people's values and priorities.

Implementations

Building on the results of previous Presidencies, the German G7 Presidency, under the motto “Progress towards an equitable world,” places emphasis on inclusive and sustainable growth, which means economic growth that is socially and environmentally acceptable. It has recently pledged to develop and officially report prosperity not only in its economic, but also ecological, social, and societal dimensions.¹¹ The G7 now has a unique opportunity to recouple and realign social, economic, and environmental dimensions of prosperity. G7-informed policy agendas, legislative and regulatory mechanisms, tools, and innovations should include measurable economic, social, and environmental goals that can achieve equitable, inclusive, and sustainable outcomes. We recommend the following concrete steps:

Concrete steps

- Establish a G7 Working Group to explore the measurement of, and policy-making aligned with, prosperity in all its forms and dimensions, alongside GDP and inequalities in income and wealth.
- Collaborate closely with experts from academia, governments, and key actors from international organisations, and civil society. These could include, but need not be limited to:
 - The OECD and their work around the measurement of quality of life and multidimensional well-being.
 - The European Union and their resilience dashboards, multidimensional poverty measurement and reporting efforts.
 - The participants of the Multidimensional Poverty Peer Network, including governments and intergovernmental agencies spearheading the development and use of multidimensional well-being, vulnerability, and poverty measures as official statistics and policy-tools.
- Align the G7 members around concrete goals for policy-making for social and economic prosperity beyond GDP that could be monitored in the future.
- Reinforce and innovate on data collection efforts to monitor prosperity in all its forms and dimensions and grounded in people's values and lived experiences.

Endnotes

¹ UN 2021, Our Common Agenda – Report of the Secretary-General.

² Brandt et al., 2022.

³ This includes the work of the ‘Sarkozy’ *Commission on the Measurement of Economic Performance and Social Progress*, led by Nobel laureates Joseph Stiglitz and Amartya Sen, together with Jean-Paul Fitoussi (see Stiglitz, Sen & Fitoussi, 2009). It also includes associated efforts to measure multidimensional well-being and quality of life at the OECD (Stiglitz, Fitoussi & Durand 2018a,b), including the *OECD Framework for Measuring Well-Being and Progress* and the *OECD Better Life Index*. Further valuable resources for the G7 are given by the work of the International Panel for Social Progress (e.g. Fleurbaey et al., 2018) and the efforts by countries participating in the *Multidimensional Poverty Peer Network* (MPPN, 2022). The latter are closely related to measures of human development (Human Development Index, HDI) and multidimensional poverty (global Multidimensional Poverty Index, MPI) by the United Nations Development Programme (UNDP), among other UN Agencies (see Figure below). Similarly the EU countries’ official multidimensional *At Risk of Poverty or Social Exclusion* (AROPE) measure (also reported against the SDGs), too, can serve as inspiration (EUROSTAT, 2021).

⁴ Up to now, for example, more than half of OECD countries have developed well-being frameworks (Brandt et al., 2022). Canada has proposed a quality of life framework focused on a broad set of measures (Department of Finance Canada, 2021) and Germany is planning to transition to a “socio-ecological” economy (Bundesministerium für Wirtschaft und Klimaschutz, 2022). These are steps into the right direction. However, the creation and existence of well-being frameworks does not guarantee its permanent adoption and more importantly a tangible influence on policy making and eventually people’s quality of life. In addition, these efforts are not yet aligned across countries and will be hardly comparable at the international level.

⁵ Lima de Miranda and Snower, 2020 & 2021

⁶ WHO, 2021; Dirksen, 2022; MPPN, 2022b.

⁷ Ura et al., 2012; MPPN, 2022b; UN DESA, 2022; UNDP and OPHI, 2021. See also Figure below.

⁸ Dirksen, 2021.

⁹ See the related policy brief in this T7 Task force on citizen-led prosperity indices for further details.

¹⁰ United Nations, 2021.

¹¹ Bundesregierung, 2021.

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